



April 27, 2005

Ms. Jennifer J. Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> and Constitution Avenue NW  
Washington DC 20551

RE: FRB Docket # OP-12220 - EGRPRA

Dear Ms. Johnson:

Johnson Financial Group, Inc. is a \$3.4 billion financial services company headquartered in Racine, Wisconsin. Johnson Financial Group owns banking units in Wisconsin; Arizona; Geneva, Switzerland; and Grand Cayman, BWI. In addition, our company provides a full range of financial services to clients through a number of non-banking affiliates. We appreciate the opportunity to comment on the above-referenced regulatory proposal.

The comments in this letter focus on issues related to the anti-money laundering regulations.

#### Support for Anti-money Laundering (AML) Initiatives

Johnson Bank strongly supports the goals of the AML initiatives and the related regulations and recognizes the significant value these rules provide in the fight against the financing of terrorism and other illicit enterprises. The decision by the Agencies to address the many issues associated with AML compliance is encouraging news to the industry. We understand that addressing the issues raised by AML compliance cannot necessarily be resolved in a brief period of time. Nonetheless, we strongly believe there are recommendations that can be implemented in a relatively short period of time so as to provide much needed and more immediate regulatory relief in this particular area of compliance.

#### Regulatory Burden/Cost

Our costs for compliance continue to rise ***exponentially*** in this area. Prior to 9/11, one individual, spending roughly 25% of her time, managed a successful

*an SC Johnson family company*

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compliance program. By year-end, we will have 2% individuals assigned to these regulations AND have purchased and/or created software costing \$250,000 annually, AND will have spent close to \$25,000 on legal expenses. It is imperative that rules and regulations be streamlined and efficient in nature.

### Money Services Business (MSB)

With regard to MSBs, the compliance requirements that are triggered when an individual conducts \$1,000 or more in money services on any given date are overwhelming. Knowing the regulatory risk involved with these accounts has put our bank in a position to stop accepting new relationships and we are giving serious consideration as to our approach to existing accounts. Even if we accept the regulatory risk, the enormous costs associated with monitoring these account clearly make them not profitable. Even more concerning is a potential scenario *and risk* to the bank where client "occasionally" conducts (maybe once or twice a year cashes a check that exceeds \$1,000) a qualifying transaction. The rules have no de minimis exception. Certainly some threshold could be established where the level of activity being conducted is clearly not related to terrorism.

### Section 314(a)

We believe that a multifaceted approach to a financial institution's review of the Section 314(a) list is necessary to allow for more expeditious and efficient handling of such requests. We strongly encourage that the Agencies allow key data processing vendors to have access to the section 314(a) list directly on behalf of their financial institution clients. In that way, a review of the list is accomplished with a mainframe data processing solution, much like OFAC reviews are accomplished. While we understand the secretive nature of this issue, having 5 to 10 additional key organizations (knowing that 8,000+ banks already have access) dedicated to the processing of bank records would greatly enhance the efficiency and speed of compliance for this requirement.

### "Politically Exposed Persons" (PEPs)

Financial institutions need better guidance with respect to PEPs. For this deterrence policy to effectively work, we believe that better guidance is needed on what is really expected when transacting with "politically exposed persons." Limiting the scope of individuals who are covered will result in greater efficiencies for the Agencies and the financial institutions charged with monitoring and reporting on these individuals. It's one thing to look for "a needle in a haystack", when you know the needle exists, it's quite another when you are not sure a needle is there. We strongly encourage the issuance of some *reasonable* guidance for this issue.

## Conflicts with Regulation B

In addition, a safe harbor or clear guidance is needed addressing Regulation B concerns when attempting to comply with BSA's Customer Identification Program (CIP) requirements. On the one hand, many institutions' CIP policies require the copying of a photo ID in order to verify the identity of the customer. Yet, on the other hand, the Agencies frown on this practice indicating it could easily result in a Regulation B violation of illegal discrimination in lending.

## Closing

While we understand your review has a long-term focus, please do not underestimate the value of any changes that can provide immediate relief. Thank you for your consideration of our comments

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

John R. Topczewski  
VP corporate Compliance Officer

cc: Richard A. Hansen, President and CEO, Johnson Financial Group  
Kurt Bauer, Executive VP, Wisconsin Banker's Association